



Financial Affairs Committee
July 19, 2002

1. Participants

--Ron Jacobsma, FWUA	--George Senn, CVPWA
--Russell Harrington, WWD	--Ara Azhderian, San Luis WD (Call-in)
--Lynn Hurley, SCVWD	--Chase Hurley, Panoche WD
--Dennis Michum, GCID	--Mike Hagman, TCCA
--Jerry Toenyss, NCPA	--Cheryl Detro, SCVWD
--Kathy Kitchell, Roseville	--Lee Emrick, Colusa Co WD
--Tona Mederios, SLDMWA (Call-in)	--Mark Oosterman, SMUD
--Ronald Vickery, Kanawha WD	--Michael Alves, Glide WD
--Jun Jamosmos, Stockton East WD	--Brice Bledsoe, Contra Costa WD
--Mike Finnegan, BOR	--Jesus Reynoso, BOR

2. Opening Business

The July meeting was held in the ACWA Office Boardroom, 910 K Street, Sacramento. The meeting began at 9:30 a.m. and concluded around 11:30 a.m. An executive session followed to discuss CFO Audit and CVPIA Restoration Fund Accounting issues. The agenda was reviewed and approved with one additional item—Auburn Dam stream restoration. The next meeting will be held in the ACWA Boardroom on August 16 at 9:30 a.m.

3. FAC Issues Matrix Status.

A. Capital Rate-setting and Cost-Recovery. Jesus Reynoso reported that BOR is working on developing a model using modified PEIS numbers to come up with a future water delivery schedule for use in setting rates to recover CVP capital costs over the remaining CVP cost recovery period (ends 2030). The effort in effect is anticipated to result in more realistic water delivery numbers than are currently in Schedule A-12 in the rate books. He said that BOR plans to run the new delivery numbers along with hydrology data to see how capital rates change among Irrigation and M&I water users.

B. PUE Issues--Post 2004 O&M Sub-allocation. Chase Hurley reported that the July PUE Issues team meeting was cancelled. He had nothing new to report. The next PUE Issues Team meeting will be on August 29. A PUE sub-team meeting will be held on August 27 to continue developing formulas necessary to allocate costs that are expected to be incurred post 2004.

C. Cost Recovery for CVPIA Programs and Activities. Mike Finnegan gave a quick summary of the CVPIA cost recovery issue and commented that the Restoration Fund Accounting team is making good progress. He hopes to have a consensus report ready to present to Regional Management by the end of December. Russell Harrington suggested that there should be a report prepared that would show the status of the various CVPIA projects/programs and would identify in measurable terms the degree to which the projects/programs have reached their goals, i.e. number of fish returns, etc. George Senn commented that a group of F&WS, BOR, WAPA, CVPWA, and outside consultants met last week to discuss the F&WS and BOR development of the CVPIA 10-year accomplishment report. The consensus was that the accomplishment report was really a status report and that an addendum or separate report was necessary to outline the degree to which the CVPIA projects/programs have met or are meeting their goals. A second meeting to discuss CVPIA program evaluation will be held on July 30 at 9:00am in the F&WS Conference Room B, in the Federal Building on Cottage Way.

D. Reclamation Water Accounting Program Development. Mike reported that Reclamation's new BOR WORKS water accounting program is on schedule. Reclamation has completed all testing for the year-end close. He said Reclamation is working on some program refinements and will be installing some edit checks to minimize human input error. After Reclamation completes testing in the Area offices it will work with the water contractors to get them up to speed using the Web-enabled access to WORKS. He said that users of the new WORKS would be able to access all reports that are now available in paper copy through the existing system.

4. **CFO Audit Impacts.** Ron reported that Reclamation sent out letters to the CVP water contractors on June 7 that provided them with options to either have their CFO audit adjustment costs applied against their 2001 and 2002 final accountings or have the adjustment billed to them in 5 equal annual installments over the 2003 to 2007 time period. He said that the water and power contractor's still have an issue with how Reclamation handles costs that are associated with capital assets that are not included in Reclamation's financial statements. He feels that such costs should be amortized over the remaining life of the CVP for cost recovery purposes (as opposed to expensing them) even though Reclamation does not hold title. Jesus reported that the option request letters were due back to Reclamation by July 7 and that most contractors had opted to repay their share of the CFO Audit costs over the 2003 to 2007 time period. Mike Finnegan said that Reclamation had received a letter from the Tehama-Colusa Canal Authority regarding the CFO audit adjustment and a response from Reclamation is forthcoming.
5. **Fall Budget Workshop.** Mike reported that there would be a Fall Budget Workshop sometime in the August-September timeframe. Activity plans will be sent out in extract form prior to the workshop. The plans will identify the degree of reimbursability associated with each activity. Ron said that the FAC would also like to know the priority assigned by the program managers to each of their activities. He also suggested that each program manager provide information as to what could be accomplished if less than a full level of funding was made available. In other words, the water and power contractors might be able to support some level of some activities but maybe not the larger dollar amount required to complete the

entire activity as requested in the activity plan. As it is now we might give it a low priority at the full funding level but a higher priority at a lower level if it had a range of funding levels to choose from.

6. **Water Transfer Issues.**

A. **Reclamation Water Transfer Policy.** Mike reported that the Financial Issues Team would be meeting soon to clarify the intent of water transfers and to develop a long-term water transfer policy.

7. **Reports on Ongoing FAC Interest Issues.**

A. **Direct Funding Agreements.** Progress continues on amendment of the Direct Funding Agreements for the SLDMWA and FWUA. Contractors have been advised that beginning September 1, 2002, all Reclamation water payments will be required to be made payable to and sent directly to Reclamation. The form of “backstop” funding, i.e. cooperative agreement or service contract, for delinquent accounts is still being debated.

8. **Auburn Dam River Restoration.** Russell Harrington asked how Reclamation would be treating the costs associated with the Auburn diversion tunnel closure. Mike reported in a subsequent message that Water and Related Resources appropriations will be used for the Auburn work. At present it is assumed that the costs will be recorded either in the Construction-in-Progress account or in the Construction-in-Abeyance account and in either case there will be no immediate cost recovery. He will do further research on this issue and report back later.

9. **Proposed Folsom Bridge Costs.** Jerry Toenyas asked how the costs associated with the security of the proposed Folsom Bridge study were being treated. Mike reported back in a separate message that if the question referred to the proposed bridge at Folsom to allow Reclamation to close the Folsom Dam Road, the security study is being conducted by the Defense Threat Reduction Agency and such costs would be non-reimbursable to CVP beneficiaries.

George R. Senn
Finance Director